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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET-DOMINANT PRICE CHANGE	))	Docket No. R2021-1

COMMENTS OF
MPA – THE ASSOCIATION OF MAGAZINE MEDIA

October 29, 2020

Pursuant to 39 CFR §§ 3030.511(b) – (c) and the Commission's Order No. 5719, MPA – The Association of Magazine Media ("MPA") respectfully submits these comments on the Postal Service's proposed market-dominant price changes to the Periodicals class. Docket No. 2021-1 (Oct. 9, 2020) ("USPS Notice") at 17-23. As always, MPA appreciates the opportunity to comment on the Postal Service's rate adjustment filing.

Unfortunately (but perhaps predictably), the Postal Service begins its Notice with a broadside attack on the entire price cap-based market-dominant ratemaking system that has been in place for nearly 14 years and that is under the Commission's review in Docket No. RM2017-3. *See* USPS Notice at 1-2. Among other things, the Postal Service asserts that its ability to achieve financial stability has been worsened, "given the impacts of the COVID-19 pandemic." *See id.* at 1. This is simply not so, and the Postal Service's claim should not inform the administrative record of either this docket or the 10-Year Review docket. In fact, bolstered by increases in high-contribution package volumes, the Postal Service's ability to achieve financial stability, *see* 39 U.S.C. § 3622(b)(5), has not been harmed during COVID-19. Its total April – August 2020 revenues have increased by $1.3 billion year-over-year. And, as MPA and numerous other commenters explained to the Commission in July, the Postal Service's liquidity and overall financial health have improved markedly. *See* Docket No. RM2017-3, Suppl. Comments of MPA *et al.* (July 2, 2020) at 4-7. We do not wish to re-litigate the 10-Year Review in this proceeding, but we must correct the Postal Service's erroneous claim regarding COVID's impact on its financial condition.

In its Notice, the Postal Service concedes that, like in previous years, most of its proposed Periodicals discounts are set substantially below the corresponding cost avoidance. USPS Notice at 18 ("in many cases substantially so."). This is especially true once again for the carrier route piece discount, a crucial driver of comailing for Periodicals mailers. Rather than seeking to increase pricing efficiency by moving the carrier route discount and other passthroughs closer to 100 percent as the Commission has consistently encouraged it to do, the Postal Service offers a post-hoc rationalization for not doing so.

We raise two objections to the Postal Service's attempt at avoiding efficient component pricing ("ECP"): first, this proceeding is not an appropriate venue in which to debate the Postal Service's novel and controversial theory to sidestep the benefits of ECP. Second, the Postal Service's reasoning is fatally flawed.

Rather than giving any weight to the Postal Service's flawed rationale, the Commission should again encourage the Postal Service to move workshare passthroughs (particularly the carrier route discount) toward 100 percent. A CPI-cap rate adjustment proceeding – limited to a cursory review of the legality of the Postal Service's proposed rate changes -- is clearly an inappropriate venue for the Postal Service's novel attack on ECP given the proceeding's short timeline and narrow scope. It is particularly inappropriate given the nature of the Postal Service's complaint. The Postal Regulatory Commission (and its predecessor) have supported efficient component pricing in general, and for Periodicals specifically, for decades, most recently encouraging the Postal Service to move Periodicals passthroughs closer to 100 percent in the FY 2019 ACD. *See* FY2019 ACD (Mar. 25, 2020) at 31 ("The Commission encourages the Postal Service to set prices that yield passthroughs closer to 100 percent which would promote Periodicals pricing efficiency. Discounts are most efficient when they are set at their corresponding avoided costs."). The Postal Service has long had more appropriate venues in which to make this argument.

The Postal Service's contention that ECP should not be applied to underwater products apparently stems, at least in part, from the unquantified assertion that ECP would hurt Postal Service finances by growing noncompensatory volume. However, the average rate increase for a class of mail – the primary driver of volume according to USPS demand models – is unaffected by the specific rate design chosen. And while ECP may slightly reduce the combined cost of mailing Periodicals (thus incenting a small increase in volume), this is far preferable to the alternative of holding prices down (and encouraging volume) in less profitable rate cells at the expense of volume in more efficient and profitable ones.

Furthermore, for the purpose of this rate adjustment filing, the Postal Service's hypothesized perfectly ECP rate design is nothing more than a strawman. The Postal Service's Periodicals passthroughs are far below 100 percent. There is ample opportunity for the Postal Service to generate workshare-related savings in excess of discounts by moving towards ECP.

Finally, we respectfully suggest that ECP is, if anything, more important in classes like Periodicals with well-documented USPS cost control problems. Providing a full, cost-based incentive for worksharing provides the best opportunity for reducing USPS costs and also allows publishers the chance to bypass these expensive operations.

Respectfully submitted,

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